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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

GARY PIERCE, CHAIRMAN  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP  
BRENDA BURNS

Arizona Corporation Commission

**DOCKETED**

MAY 17 2012

DOCKETED

*LM*

**IN THE MATTER OF THE APPLICATION  
OF THE ESTATE OF WILLIAM F.  
RANDALL D/B/A VALLE VERDE WATER  
COMPANY FOR AN INCREASE IN ITS  
WATER RATES;**

**and**

**IN THE MATTER OF THE APPLICATION  
OF THE ESTATE OF WILLIAM F.  
RANDALL D/B/A VALLE VERDE WATER  
COMPANY FOR AUTHORITY TO INCUR  
LONG-TERM DEBT.**

Docket No. W-01431A-09-0360  
W-01431A-09-0361

**APPLICATION TO AMEND  
DECISION NO. 71899**

Pursuant to A.R.S. § 40-252, Valle Verde Water Company ("Company") moves the Arizona Corporation Commission ("Commission") to amend Decision No. 71899 and enable the Company to continue to collect the Temporary Surcharge and apply the revenues gained to pay the debt owed to the Interim Manager.

## **Interim Management**

In 2007, the Commission appointed Southwestern Utility Management, Inc., as the Company's interim manager ("Interim Manager"). Historically, the Company was owned and operated by William F. Randall, but following his death, the Company fell into financial and operational disarray. Under the agreement with the Commission, the Interim Manager has been entitled to management fee of \$11.25 per meter per month. Yet, the Company has not generated enough revenue to pay all of its expenses and fully compensate the Interim Manager. Faced with this dilemma, the Interim Manager chose to pay the electric bills, taxes, well repair companies, engineers, and other expenses before taking the full amount owed to the Interim Manager. Consequently, the Company currently owes the Interim Manager \$78,589.03. Supporting documentation is set forth in Attachment A.

## **Temporary Surcharge**

Due primarily to groundwater contamination issues, the Company had to purchase water from the City of Nogales ("City"). The City charged the Company \$2.53 per thousand gallons. Meanwhile, under its tariff, the Company could charge its customers only \$1.30 per thousand gallons. Overall, the Company purchased \$187,158.00 of water from the City. Although the Interim Manager did make partial payments to the City, the Company had no other revenue stream to address this financial shortfall between the cost to buy City water and what the Company could charge its customers, so the Company amassed a \$92,850.46 debt with the City.

To pay this debt, the Interim Manager requested, and the Commission approved, a Temporary Surcharge of \$.60 per thousand gallons sold. Since December 2010, the Company has collected and paid the City \$79,972.62. Under the terms of Decision No. 71899, once the City debt is paid, the Temporary Surcharge should cease.

## **Request to Continue Surcharge to Pay Interim Management Debt**

The Interim Manager is requesting the Commission amend Decision No. 71899 to allow the Company to continue the Temporary Surcharge after the City debt is fully paid

1 and enable the Company to apply the surcharge revenues to the Interim Manager debt.  
2 The Company suggests the following straightforward revisions (“underscore” indicates a  
3 proposed insertion; “~~strikethrough~~” indicated a proposed deletion) to Decision No.  
4 71899:

5 Pages 12 and 13:

7 31. In the Rate Application, SUM listed a purchased water expense of  
8 \$187,158 for water the Company had to purchase from the City of Nogales  
9 due to a number of problems with the wells. SUM noted that the rates the  
10 Company had to pay the City for the water exceeded what the Company  
11 could charge its customers, thereby causing Valle Verde to incur substantial  
12 debt. SUM ceased purchasing water from the City in November or  
13 December of 2008. SUM made payments on the account as it could, and as  
14 of May 21, 2010, the balance on the account was \$95,707.84. SUM further  
noted at hearing that there was also an outstanding balance due to SUM of  
approximately \$95,000.<sup>21</sup>

<sup>21</sup> Tr. at 17:2-7.

15 . . . .

16 35. Staff does not object to the temporary surcharge and believes a  
17 volumetric surcharge is more appropriate than a flat fee. Staff recommends  
18 that the Company be ordered to file notice with the Commission when the  
19 debt to the City has been paid and SUM is no longer collecting the  
20 surcharge. Staff’s recommendation is reasonable ~~and shall be adopted~~.  
21 However, we also find it reasonable that, if at the time the debt to the City  
is paid off, there is still an outstanding accounts payable balance owed to  
SUM, the surcharge continue for the purpose of paying down that balance,  
but not to exceed \$78,589.03.

23 Pages 22 and 23:

24  
25 IT IS FURTHER ORDERED that the Estate of William F. Randall  
26 d/b/a Valle Verde Water Company shall implement a Temporary Surcharge of  
27 \$.60 per 1,000 gallons, as described herein. The Temporary Surcharge shall  
28 become effective on November 1, 2010, and the Company shall continue to  
assess the Temporary Surcharge until such time that all funds currently owed  
to the City of Nogales for purchased water have been paid in full. If, at that

1 time, there remains an outstanding accounts payable balance owed to  
2 Southwestern Utility Management, Inc., the Company shall continue to assess  
3 the Temporary Surcharge until such time as that balance is paid off or  
4 repayment reaches \$75,000, whichever occurs first.

5 IT IS FURTHER ORDERED that the Estate of William F. Randall  
6 d/b/a Valle Verde Water Company shall file with Docket Control, as a  
7 compliance item in this docket, beginning December 31, 2010, quarterly  
8 statements indicating the beginning balance on the City of Nogales account,  
9 the amount collected by the Temporary Surcharge during the quarter, the  
10 amount paid to the City of Nogales during the quarter, and the balance at the  
11 end of the quarter. Such quarterly reports shall continue to be filed until the  
12 account has been paid in full. If the Temporary Surcharge is to continue for  
13 payment to Southwestern Utility Management, Inc., the same quarterly  
14 reporting shall continue regarding that account until payment in full or  
15 repayment of \$75,000, whichever occurs first.

16 IT IS FURTHER ORDERED that within 30 days of ~~upon~~ payment of  
17 the funds owed to the City of Nogales, the Estate of William F. Randall d/b/a  
18 Valle Verde Water Company shall file with Docket Control, as a compliance  
19 item in this docket, an affidavit indicating that the funds have been repaid and  
20 indicating any outstanding accounts payable amount owed to Southwestern  
21 Utility Management, Inc. ~~the Temporary Surcharge has ceased, w~~ Within 30  
22 days of the completion of all authorized repayment and the cessation of the  
23 Temporary Surcharge, the Estate of William F. Randall d/b/a Valle Verde  
24 Water Company shall file with Docket Control, as a compliance item in this  
25 docket, an affidavit indicating that the Temporary Surcharge has ceased.

26 The Company believes these simple changes will allow the debt owed to the Interim  
27 Manager to be repaid in a timely manner.

### 28 **Summary and Action Requested**

Over the past five years, the Interim Manager has made the best interest of the  
customers and the Company top priority. Accordingly, as bills came due, the Interim  
Manager has been the last one paid, causing the balance due to the Interim Manager to  
approach nearly \$80,000.00. Therefore, the Company moves the Commission amend  
Decision No. 71899 as proposed herein.

////

///

1 DATED this 17<sup>th</sup> day of May, 2012.

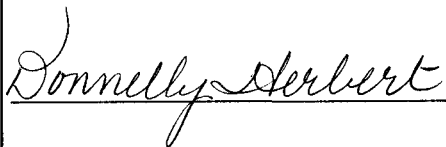
2 **MOYES SELLERS & HENDRICKS LTD.**

3  
4 

5 Steve Wene

6 Original and 13 copies filed this  
7 17<sup>th</sup> day of May, 2012, with:

8 Docket Control  
9 Arizona Corporation Commission  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 

# ATTACHMENT A

Valle Verde Water Company  
Accounts Payable due  
Southwestern Utility Management, Inc.

Date	Invoice	Amount	Description
4/7/2012	Inv #4800	\$ 9,855.00	March 2012 Services @ \$11.25 per connection
3/9/2012	Inv #4752	\$ 9,855.00	February 2012 Services @ \$11.25 per connection
2/7/2012	Inv #4706	\$ 9,604.03	January 2012 Services @ \$11.25 per connection <<Issued Credit for VVW Employee labor \$250.97
1/6/2012	Inv #4653	\$ 9,855.00	December 2011 Services @ \$11.25 per connection
12/8/2011	Inv #4605	\$ 9,855.00	November 2011 Services @ \$11.25 per connection
11/10/2011	Inv #4559	\$ 9,855.00	October 2011 Services @ \$11.25 per connection
10/7/2011	Inv #4507	\$ 9,855.00	September 2011 Services @ \$11.25 per connection
9/8/2011	Inv #4460	\$ <u>9,855.00</u>	August 2011 Services @ \$11.25 per connection
		\$ 78,589.03	Total due as of 04/07/2012

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
9/8/2011	4460

Bill To
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms

Net 30 Days

Due Date

10/8/2011

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter August Services	876	11.25	9,855.00
			<b>Total</b>	<b>\$9,855.00</b>



Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
10/7/2011	4507

Bill To
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms
Net 30 Days

Due Date
11/6/2011

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter September Services	876	11.25	9,855.00
			<b>Total</b>	<b>\$9,855.00</b>

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
11/10/2011	4559

Bill To
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms
Net 30 Days

Due Date
12/10/2011

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter October Services	876	11.25	9,855.00
			<b>Total</b>	<b>\$9,855.00</b>

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
12/8/2011	4605

<b>Bill To</b>
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms

Net 30 Days

Due Date

1/7/2012

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter November Services	876	11.25	9,855.00
			<b>Total</b>	\$9,855.00

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
1/6/2012	4653

<b>Bill To</b>
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms

Net 30 Days

Due Date

2/5/2012

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter December Services	876	11.25	9,855.00
			<b>Total</b>	<b>\$9,855.00</b>

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
2/7/2012	4706

<b>Bill To</b>
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms

Net 30 Days

Due Date

3/8/2012

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter January Services	876	11.25	9,855.00
11.25 per Meter	Credit for Jesus Cubillas Labor for SUM 10/10-11/4/2011		-250.97	-250.97
			<b>Total</b>	<b>\$9,604.03</b>

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
3/9/2012	4752

Bill To
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms

Net 30 Days

Due Date

4/8/2012

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter February Services	876	11.25	9,855.00
			<b>Total</b>	<b>\$9,855.00</b>

Southwestern Utility Management, Inc.  
P.O. Box 85160  
Tucson, Arizona 85754

# Invoice

Date	Invoice #
4/7/2012	4800

Bill To
Valle Verde Water Company 12 Garden View Ct. Nogales, AZ 85621

Telephone # 520-623-5172  
Fax #520-792-0377

Terms
Net 30 Days

Due Date
5/7/2012

Item	Description	Qty	Rate	Amount
11.25 per Meter	11.25 per Meter March Services	876	11.25	9,855.00
			<b>Total</b>	<b>\$9,855.00</b>